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SUBJECT: LEE HOI-CHANG LOOKS FOR BEEF SOLUTION

Classified By: Ambassador Alexander S. Vershbow. Reasons 1.4 (b,d).

¶1. (C) Summary: The Ambassador's May 20 lunch with three-time Presidential candidate Lee Hoi-chang focused primarily on possible solutions to the controversy surrounding the reopening of the Korean market to U.S. beef. Lee also talked about the "balancing and checking" role that his minority conservative party (Liberty Forward Party or LFP) would play in the next National Assembly session beginning May 30, and about his efforts to secure negotiating bloc status (NOTE: LFP has 18 seats currently; 20 are needed for a negotiating bloc. END NOTE). Lee said that President Lee Myung-bak is a strong president who needs to work more on building consensus for his policies and should change his attitude toward political rival Park Geun-hye. After lunch, Lee Hoi-chang came back to the beef issue, explaining his position and the reason for the widespread protests, and asked for the Ambassador's thoughts on possible solutions. Lee, who repeatedly emphasized his pro-FTA stance, said the key to solving international trade issues was an objective and level-headed approach. End Summary.

Protests Born of Public Dissatisfaction

¶2. (C) Before lunch even started, Lee emphasized to the Ambassador that his concern with U.S. beef imports is not the safety of U.S. beef right now, but rather the safety of such imports in the future. Lee said the cause of the beef uproar was not beef itself but was instead an indicator of how frustrated people are with Lee Myung-bak and his leadership style.

¶3. (C) Choosing to switch to Korean because of the complexity of the issue, Lee Hoi-chang explained his position to the Ambassador. According to Lee, the focus of the debate has been wrong from the beginning. The GNP insisted early on that U.S. beef was safe and that it was anti-American to suggest otherwise. Consequently, Lee said, safety concerns obscured the real issue -- Korea's rights in the event of new BSE cases in the U.S. Lee said he had held several press conferences to try to reshape the debate. Lee suggested a two-part solution to the controversy. The first step would be to revise, complement, or supplement section 5 of the beef agreement so that the Korean Government could suspend beef imports even if the OIE had not downgraded the risk assessment of the U.S. The second step would be to insist that the Minister of Agriculture step down and take responsibility for the controversy.

14. (C) Lee said that a Blue House representative had come to his office on May 19 to explain the clarification letter from USTR Schwab. The problem with leaving it at that, Lee said, is, while Korea can suspend imports under Article 20 of GATT, the U.S. also has the right to dispute Korea's actions. Lee suggested that perhaps there could be a side agreement between Korea and the U.S. that would restrict the U.S. from doing so on the beef issue. Alternatively, Lee suggested, there could be side letter that would attach a time limit to any suspension of imports carried out under GATT Article 20.

15. (C) The Ambassador noted that such a side agreement would significantly change the agreement, thus eroding Korea's credibility in future negotiations, Congressional support for the KORUS FTA, as well as U.S. business confidence in working with Korean firms. The Ambassador said that we need to find a quick solution that does not fundamentally alter the agreement before the issue causes any undue tension.

Moving Toward a Negotiating Bloc

16. (C) Lee said his conservative Liberal Forward Party (LFP) is trying to recruit at least two more members for the 18th National Assembly that begins May 30. Lee's party currently is 18-members strong, leaving them just two members shy of the 20 needed in order to form a negotiating bloc in the National Assembly. Despite speculation that Lee would recruit those pro-Park Geun-hye lawmakers who were not accepted back into the ruling Grand National Party, Lee emphasized that many of those politicians were only elected because they promised to rejoin the party. The LFP is so small, Lee said, that they need "men of belief" who are willing to work hard. The former GNP-ers were politically maneuvering for their own benefit and were not serious about working for the Korean people.

President in Need of Attitude Adjustment

17. (C) Lee Myung-bak's policy failures have stemmed from his predilection to work only with his own people, so it was difficult for him to build widespread support. The Ambassador asked about the prospects for a truce between Lee Myung-bak and Park Geun-hye. Lee Hoi-chang said Lee Myung-bak had to change his attitude toward Park. The change in the President's attitude was more important than Park's influence. Lee Hoi-chang predicted that Lee Myung-bak would eventually try to reach out to the LFP. Lee Hoi-chang, a veteran politician, noted that even a large GNP majority would not have guaranteed a stable National Assembly; even the ruling party needs good coordination with other parties in order to get legislation passed. If the ruling party tries to do things unilaterally in the next National Assembly, it will not get anything done.

Comment

18. (C) Lee Hoi-chang is the last of a dying breed in Korea -- the old-style boss politician who can run a party based on personal support and a regional base. Park Geun-hye, the only other politician who has the kind of personal appeal that Lee has, has chosen to stay within the GNP. Lee's 15.1 percent showing in last year's presidential election was impressive but highlighted growing limitations on personal politics in Korea. Lee has high hopes for his party and some speculate that he is gearing up for another run for the Blue House in 2012. Perhaps. For now, however, he is a marginal figure and his speculation that the GNP will reach out to him is probably wishful thinking. End Comment.

VERSHBOW